

Message Text

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ACTION ARA-20

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 549

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EO 11652 N/A

TAGS: AFSP, PE

SUBJ: FY 1976 COMMERCIAL BUDGET - PERU

REF: STATE 098756

1. FOLLOWING TABLE SHOWS STATISTCAL INFORMATION REQUESTED
PARAGRAPH 4 REFTEL.

	ACTUAL	ESTIMATED			
	1974	1975	1976		
A. TRADE PROMOTION REPRESENTATION				2490	2900 3300
B. COMMERCIAL TRAVEL			493	526	800
C. COMMERCIAL LIBRARY			1500	800	1000
D. COMMERCIAL NEWSLETER			-	500	1800
E. CONTRACT SERVICES			-	-	-
F. POSITIONS- NO		XXX	XXX	1	
G. WORKLOAD STATISTICS					
WTDRS		349	300	400	
ADS		60	60	75	
FOREIGN TRADERS INDEX			-	-	-
TRADE OPPORTUNITIES			97	150	250

2. NARRATIVE JUSTIFICATION FOLLOWS:

A) TRADE PROMOTION REPRESENTATION: DURING FY 1974 THERE WAS AN INCREASE OF \$900 IN REPRESENTATION. TH ESTIMATES FOR FY 75-76 ARE DESIGNED TO COVER NORMAL INFLATION OF 15 PERCENT PER YEAR.
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THE ESTIMATED LEVELS DO NOT REPRESENT ANY INCREASE BUT RATHER

MAINTENANCE OF THE PRESENT LEVEL OF ACTIVITY.

B) COMMERCIAL TRAVEL: THE ESTIMATE FOR FY 75 REPRESENTS THE SAME LEVEL AS FY 74 ADJUSTED FOR INCREASED TRANSPORTATION EXPENSES. THERE IS AN INCREASE IN FY 76 BECAUSE WE EXPECT THE GOVERNMENT'S INDUSTRIAL DECENTRALIZATION DRIVE AWAY FROM LIMA TO TRUJILLO IN THE NORTH AND AREQUIPA IN THE SOUTH, PLUS THE OIL DEVELOPMENT IN THE AREA AROUND IQUITOS, TO INCREASE NECESSARY TRAVEL TO THESE PLACES AS THEY GROW IN ECONOMIC IMPORTANCE TO ABOUT 3 TRIPS EACH A YEAR RAHTER THAN THE TWO EACH CARRIED OUT IN FY 74 AND ANTICIPATED FOR FY 75. FY 76 LEVEL ALSO INCLUDES ANTICIPATED TRANSPORTATION COST INCREASE OF 10 PERCENT.

C) COMMERCIAL LIBRARY: IN FY 74 LIBRARY WAS REDECORATED AND NEW FURNITURE PURCHASED WHILE PUBLICATION PROCUREMENT WAS STEPPED UP. FY 75 LEVEL REPRESENTS DROP IN DURNITURE AND EQUIPMENT PURCHASE BUT CONTINUED INCREASE AND IMPROVEMENT IN PUBLICATION PROCUREMENT. FY 76 LEVELS REPRESENT SOME ADDITIONAL FURNITURE PURCHASES PLUS CONTINUED PUBLICATION PROCUREMENT IMPROVEMENT.

D) COMMERCIAL NEWSLETTER: UNTIL LATTER PART OF FY 74 NEWSLETTER CONSISTED OF SEVERAL MIMEOGRAPH SHEETS. WITH USIS ASSISTANCE NEWSLETTER HAS NOW BEEN MATERIALLY IMPROVED WITH MODERN FORMAT, PHOTOGRAPHS, ARTCILES, EDITING, ETC. FY 75-76 LEVELS REPRESENT CONTINUED QUALITY IMPROVEMENT AND INCREASED PRINTING COSTS DUE TO INCREASE IN NUMBER OF RECIPIENTS AND EXPECTED PRICE INFLATION.

E) CONTRACT SERVICES: NONE ANTICIPATED.

F) POSITION: OUR NEW POSITION REQUESTED IN FY 76 TO CONCENTRATE

ON MARKET RESEARCH ACTIVITIES. CY 1976 IS EXPECTED TO BE TURN-AROUND YEAR FOR PERUVIAN ECONOMY AS MAJOR NEW COPPER PROJECT (CUAJONE) HOPEFULLY COMES ON STREAM AND AS PERU SHIFTS FROM PETROLEUM IMPORTER TO MAJOR OIL EXPORTER. STARTING 1976, THEREFORE, MARKET RESEARCH ACTIVITY WILL BE CRUCIAL FOR GROWTH U.S. MARKET POSITION IN WHAT COULD PROVE TO BE A STRONGLY GROWING ECONOMY. WE EXPECT POST-1976 PERIOD TO MARK
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UPTURN IN IMPORTS AS GOP MOVES TO INCREASE GOVERNMENT INVESTMENT AND AS PRIVATE SECTOR UPTURN REVERSES DOWNWARD INVESTMENT TREND OF PAST FEW YEARS. IMPORTS SHOULD START MOVING UPWARD AND GENERAL ECONOMIC ACTIVITY SHOULD INCREASE. IF U.S. EXPORTS ARE TO FOLLOW SIMILAR GROWTH AFTER TURN-AROUND YEAR IN 1976, REQUIRE ADDITIONAL POSITION AS RECOMMENDED LAST INSPECTION REPORT. THIS NEW POSITION WOULD BE EXCLUSIVELY DEVOTED TO MARKET RESE
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ACTIVITY TO INCREASE OPPORTUNITIES FOR IMPORTS FROM U.S. WHICH ARE NOW SIZEABLE (CY 73 IMPORTS FROM U.S. WERE \$306 MILLION) BUT WHICH ARE FACING INCREASED COMPETITION FROM JAPAN AND EUROPE. IMPORTS OF U.S. MANUFACTURED GOODS ACTUALLY EXHIBIT DOWNWARD TREND WHICH WILL TAKE HARD WORK TO REVERSE.

G) WORKLOAD STATISTICS: FY 74 LEVELS ARE ACTUAL SERVICES AS TAKEN FROM COMMERCIAL SECTION RECORDS. ON WTDR WE EXPECT A 15 PERCENT DECREASE IN FY 75 DUE TO RECENT INCREASE IN PRICE. IN MAY, HOWEVER, GOP MADE CHANGES IN IMPORT REGULATIONS REQUIRING THAT ALL IMPORTS NOT SUBJECT TO PREVIOUS CREDIT REQUIREMENTS MUST NOW BE PURCHASED ON 180 DAYS CREDIT. WE EXPECT THAT U.S. FIRMS WILL GENERATE ADDITIONAL WTDR REQUESTS SINCE ALL IMPORTS WILL HAVE TO BE ON CREDIT OF AT LEAST 6 MONTHS AND PROBABLY MORE LIKELY OF 8-9 MONTHS. THIS IS REASON FOR ESTIMATING ONLY 15 PERCENT DECREASE RATHER THAN MORE NORMAL 25 PERCENT DECREASE WHEN WTDR PRICE IS INCREASED SHARPLY. FOR FY 76, ESTIMATED INCREASE IS IN EXPECTATION OF INCREASE IN IMPORTS DUE TO INCREASE IN ECONOMIC ACTIVITY AS DESCRIBED PREVIOUSLY. ESSENTIALLY SAME REASONING HOLDS FOR ADS ESTIMATES. FOR TRADE OPPORTUNITIES, WE ARE PLANNING SHARP INCREASE IN FY 75-76 AS DESCRIBED IN COMMERCIAL ACTION PROGRAM TO TAKE ADVANTAGE OF GREATLY INCREASED MARKET RESEARCH ACTIVITIES AS RESULT OF DIVERSION OF ONE FULL TIME LOCAL COMMERCIAL ASSISTANT TO FULLTIME MARKET RESEARCH IN FY 74. AS HIS MARKET RESEARCH GROWS, AS ECONOMY STARTS UPWARD TREND IN CY 1976 AS DESCRIBED PREVIOUSLY, AND AS RESULTS OF NEW POSITION FOR MARKET RESEARCH IN FY 76 ARE FELT, TRADE OPPORTUNITIES SHOULD SHARPLY INCREASE.

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